News

GM Europe

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Text of Speech given by Carl-Peter Forster at the Paris Motor Show

The following is a speech given by Carl-Peter Forster, President of General Motors Europe, at the Opel/Vauxhall press conference in Paris. The spoken word takes precedence.

Good morning and welcome to Paris, to the Mondial de L'Automobile 2008 and to the Opel/Vauxhall stand. Thank you for joining us today.

From all across the world, automobile manufacturers have gathered here for the specific purpose of showing off their latest products. We do this against the backdrop of what has been an unprecedented set of economic challenges that I want to speak to you about -- not just in my capacity as the President of GM Europe, but also as an enthusiastic and concerned member of the European automotive industry.

So, allow me to share with you our perspective. It was only two weeks ago that GM officially launched into our second century in this business - with new technologies, new designs and new products that will shape our future success. The proof is right there in our cars- as you can see just by looking around today. With five World Premieres and three European Premieres here in Paris, there can be no doubt about the strength of our brand portfolio.

Last night, we got things started at the Chevrolet Premiere Night event, where we showed off four new vehicles that indicate the new direction for our Chevrolet brand. We revealed the first truly global compact Chevrolet – the all-new Chevrolet Cruze which will hit the market in spring of '09 – as well as Chevrolet's vision of a multi-purpose seven seater – the Orlando Show Car.

We also premiered the new Camaro – which links Chevrolet's heritage to the next iconic sports car. And of course, we featured the car that will reinvent the automobile, and GM itself, the Chevrolet Volt, with its purely electric range of 60 kilometers. Taken as a group, these four vehicles play an essential role in supporting Chevrolet's strategies for unprecedented growth here in Europe and at the global level.

Let's turn to our premium brands. Following the successful introduction of the BLS Wagon, Cadillac extends its range with the top-of-the line CTS Sports Wagon. This beautiful wagon has already proven a favorite at Pebble Beach where it had its debut. And Saab celebrates 25 years of convertible leadership this year by showing a possible new direction with the 9-X Air concept and its unique "Canopy Top" design. Last but not least Opel/Vauxhall brings us two Premieres that are of vital importance to the brands' ongoing rejuvenation and expansion.

To tell you more, please welcome my colleagues Alain Visser and Hans Demant.

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So as you can see, we are making good on our promise to expand our portfolio in Europe, differentiate our brands and leverage this breadth of offerings to appeal to diverse customer groups and market requirements.

Now, as I said at the outset, I want to take a few minutes to address the current state of the automotive industry here in Europe – especially in Western Europe. I believe this is critical because the current economic trends will heavily influence not only our business at GM but that of the entire industry.

Specifically, I'd like to suggest two key areas which the European political and business leadership needs to act on right away if we are to put our economy back on track. The first has to do with restoring consumer confidence. The second relates to comprehensive, easy-to-implement CO_2 policies.

Let's start with the customer confidence crisis. We are all aware that the global market is experiencing great difficulties. The North American car and truck market was the first to be hit by an economic downturn – triggered by low consumer confidence. This same lack of consumer confidence has spread to Western Europe, a result of surging oil and commodity prices, which have triggered a strong inflationary trend.

You have seen the grim numbers reported recently. Registrations in Western Europe were down 16.7 percent in August compared to the same month last year.

Here's what is driving that downturn:

- Tough market conditions. Spain, Italy, the U.K., and Ireland are especially vulnerable to the risk of recession due to the ongoing credit crunch. The tight credit situation has been compounded by price corrections in the housing market. This, of course, puts added pressure on car volumes and pricing in local markets.

- Unfavorable currency rates. Primarily, the deteriorating value of the British pound, compared to the Euro, is hurting sales. We actually sell more vehicles in the U.K. than we build there, and the weak buying power of the pound has put a new-car purchase beyond the reach of many people who might otherwise be in the market right now.

- High commodity prices for metals and oil. This touches every aspect of our business as new car manufacturers, as marketers and as retailers. And it's even more painful for our would-be customers, for whom the soaring price of oil has created a real cost-of-living crisis that strikes at the heart of the middle class.

A quick look at August's year-to-date registration numbers shows how these factors are impacting key Western European markets:

- The United Kingdom – down 3.3 percent
- Ireland – down 19 percent
- Sweden – down 9.7 percent

- Italy – down 12 percent
- And Spain, down 22.6 percent

Spain is especially suffering – not only from the housing crisis – but also because of new CO_2 regulation that has driven a sudden market shift toward low-emission vehicles.

And look at what's happening in Germany. Over the last eight years, the cost of driving a car has increased more than the average rise in consumer prices. Whereas consumer prices rose by approximately 15.6 percent, average costs to own and operate a car have risen by 25.5 percent

This is primarily due to increasing fuel prices. Since August 2000, the price for high octane fuel in Germany rose by 42.5 percent and diesel fuel increased by almost 76 percent. In comparison, the average price of a new car rose by approximately 12 percent. That's a 76 percent increase for the price of diesel versus 12 percent for the price of a car.

How is our industry responding to this news?

Already we are hearing announcements from automobile manufacturers – and our critically important suppliers – that weak sales are driving cutbacks and plant closings. And I'm afraid there will be many more announcements in the weeks ahead.

From a manufacturer's point-of-view, we at GM Europe are doing everything that we can to manage this down period. Alain and Hans just highlighted our newest product introductions. And if you look around the various GM brand displays today, you will see products that are exactly right for today's customers.

But for any of us to succeed, we must have customers who are willing and able to purchase new automobiles. Frankly, until consumer confidence returns, the automobile market cannot regain its momentum. Of course, GM Europe's local marketing and sales organizations are doing what they can to stimulate sales in these under-performing markets. For example, in Germany, 10 to 15 percent of the cars are more than eight years old. We know there is pent-up demand for our Opel products. And we have local initiatives in place to spur cash sales. But our efforts are being stifled by a serious cash shortage.

As I said, we are doing what we can. But we also need help from political leaders to turn the situation around. At the EU level, and within the political leadership of individual countries, action must be taken to stimulate the economy, relieve the credit crunch and restore consumer confidence. Only then will consumers have the means -- and the confidence -- to invest in a new automobile.

Another uncertainty that is undermining consumer confidence and purchase intentions is the lack of clarity on CO_2 policy. Stated plainly, we need action on a reasonable, results-focused, pan-European CO_2 policy. Now.

GM Europe is committed to working constructively with policy makers to support EU strategies that will quickly reduce the impact of CO_2 emissions from cars. However, for any policy to be successful, it must enable the design and manufacture of cars that are both desirable and affordable. This is the only way we will achieve the near-term volume sales required to replace the older, high-emission vehicles currently on our roadways.

Let me state this again. If the CO_2 policy slows or even kills demand for new vehicles, the policy actions will have failed completely by leaving the older, higher-polluting cars on the road.

If we consider CO_2 policies from this practical, results-focused perspective, it becomes clear that a successful CO_2 strategy will be one that is viable for manufacturers proportional with other sectors and supported by the necessary fuel, infrastructure and taxation policies.

Here are some specific issues that leaders within the European Union must address in order to ensure that new CO_2 policies achieve the desired results:

First, policies must include a reasonable, phased-in compliance schedule.

It’s common knowledge that the auto industry needs sufficient lead-time to bring new technologies to market. Most of the models that will be sold in 2012 are those that have recently been introduced, or are already advanced in their product development cycle.

We need a phase-in period from 2012 to 2015 so that we can adjust our products to meet the new CO_2 requirements working within the product development cycles to make the necessary changes in a way that is most affordable for consumers.

Second, the policy should serve to stimulate the early commercialization of breakthrough technologies, such as extended-range electric vehicles. We believe that the necessary incentives should come in the form of “Super-credits” – in which vehicles rated under 50 grams count five times when calculating the manufacturer’s CO_2 compliance rating.

Extended-range vehicles, like the Chevrolet Volt, offer the best of both worlds – ultra-low emission technology on a platform that is appealing to the bulk of car buyers. Given the high initial cost of these new technologies, super-credits would serve as a strong encouragement to automakers to get these technologies out of the labs and onto the roads as soon as possible. We were pleased that the Environment Committee of the European Parliament voted for innovation in Europe when they supported super-credits last week.

Of course, national governments need to do their part by providing tax breaks for customers, to encourage them to take the step forward and purchase these innovative technologies.

Third, and finally, the CO_2 policy must include a comprehensive, easy-to-execute plan to quickly expand the availability of Biofuels.

We know that Biofuels such as E85 can reduce CO_2 emissions by as much as 70 percent on a source-to-wheels basis. And Biogas can achieve net-zero CO_2 source-to-wheels. The vehicle technologies to run on these fuels is proven, and cost-effective. With a policy to rapidly expand the availability of biofuels, we could see immediate and dramatic CO_2 reductions.

That’s why we believe that CO_2 policy must ensure pan-European availability of Biofuels – E85 as well as low blends – and give credit to automakers for making these technologies available.

That’s also why we welcome the 10-percent binding renewable energy target in transport fuels by 2020. This will support the wide-range of technologies GM is working on, such as E85 FlexFuel vehicles, Extended Range Electric Vehicles and Hydrogen Fuel Cell vehicles.

Again, we need a policy that creates concrete action now to make E85 and CNG from biogas widely available. With this kind of comprehensive CO_2 policy in place, there is no reason why we can't make quick and meaningful progress to reduce exhaust emissions.

We will pursue the CO_2 competitiveness of our cars using a broad range of customer-centric strategies. And we will continue to launch exciting new cars that deliver more of what people want. And to support that, before I close I would like to give you a glimpse of what to expect in 2009.

In about a year from now at the Frankfurt IAA 2009, we will be revealing the production version of the all-new Opel/Vauxhall Astra. So as you can see, we have a lot to look forward to from General Motors Europe and the Opel and Vauxhall brand.

I'd now liked to invite Fritz Henderson and Ed Welburn to join Alain, Hans and me onstage

As always, we are happy to take your questions.

Thank you.

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